

Uncompensated Care, Cost Shifting and Hospital Finances

Presentation to the Colorado Commission
on Affordable Health Care

October 10, 2016



Setting the Stage

The questions CHI was asked to address:

With fewer uninsured Coloradans, how much has uncompensated care declined?

How has this impacted commercial hospital prices?

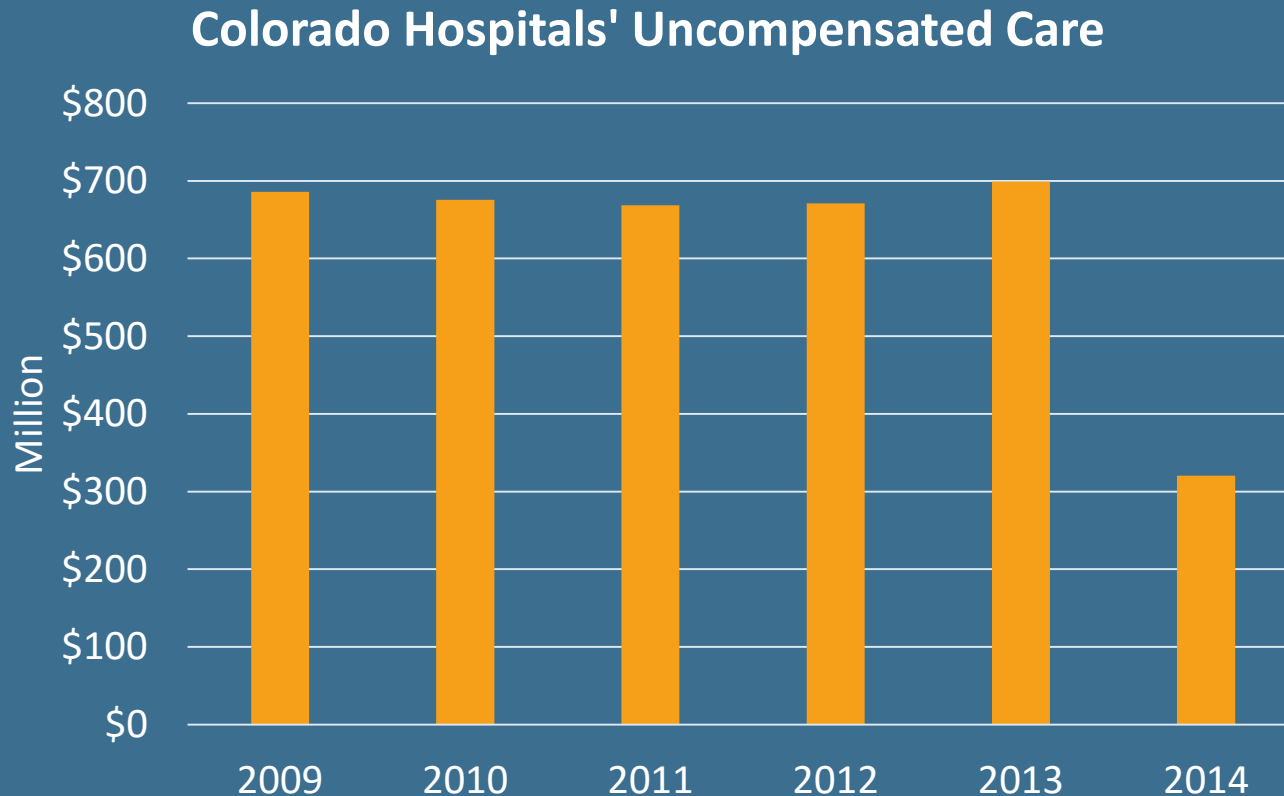
Question: What is uncompensated care?

- Uncompensated care is the cost of care for which no payment was received from the patient or insurer.

Uncompensated care = Charity Care + Bad Debt

- Uncompensated care is different than undercompensated care, which is the cost of care that is underpaid by programs like Medicare and Medicaid.
- Some uncompensated care may be paid indirectly by government sources.

Question: How has uncompensated care changed over time?



Sources: HCPF and the Hospital Provider Fee Oversight and Advisory Board Annual Report on the Colorado Health Care Affordability Act (Jan. 2016), supplemented by data from the Colorado Hospital Association

Question: What is cost shifting, and does it exist in hospital markets?

Cost shifting:

Inadequate reimbursement by certain payers forces providers to *recoup losses by charging higher prices* to other payers.

Question: What is price discrimination?

Price discrimination:

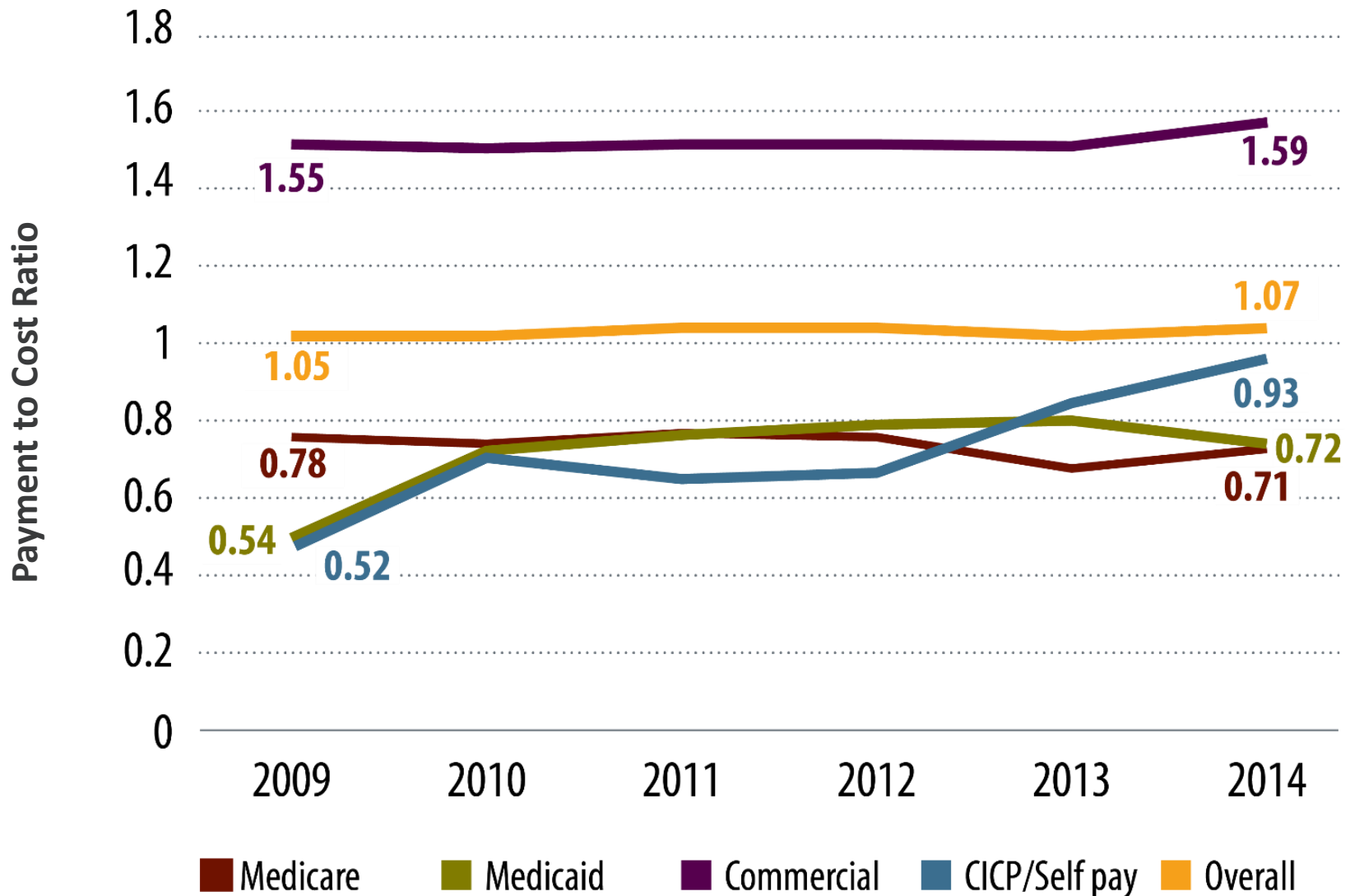
When suppliers of goods and services charge different prices to customers *based on their willingness to pay*.

- Different prices for college students and senior citizens at restaurants.
- Lower price for children's movie tickets.

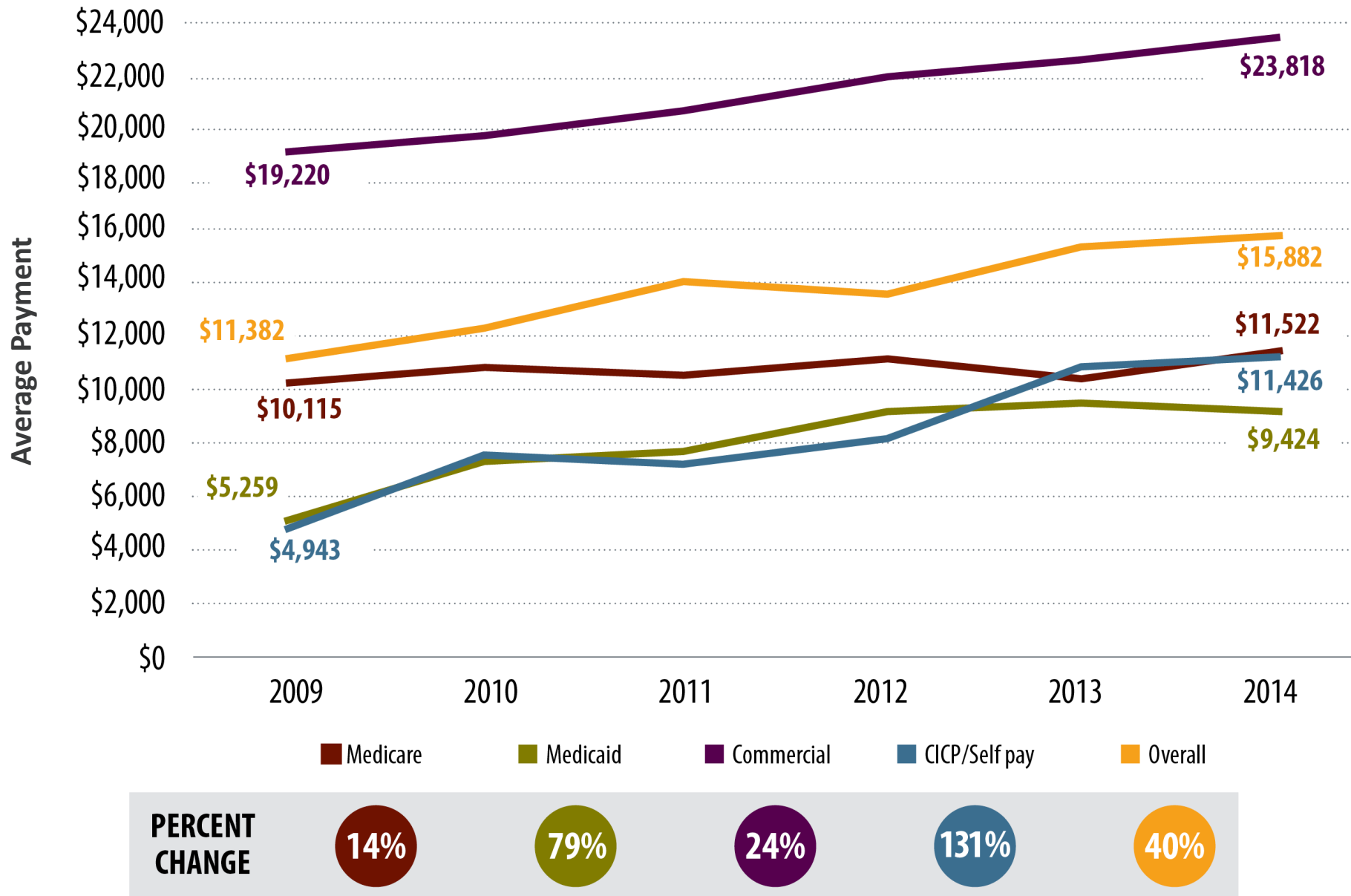
Question: How has payment relative to cost changed over time?

Payment to provider/
Cost of patient

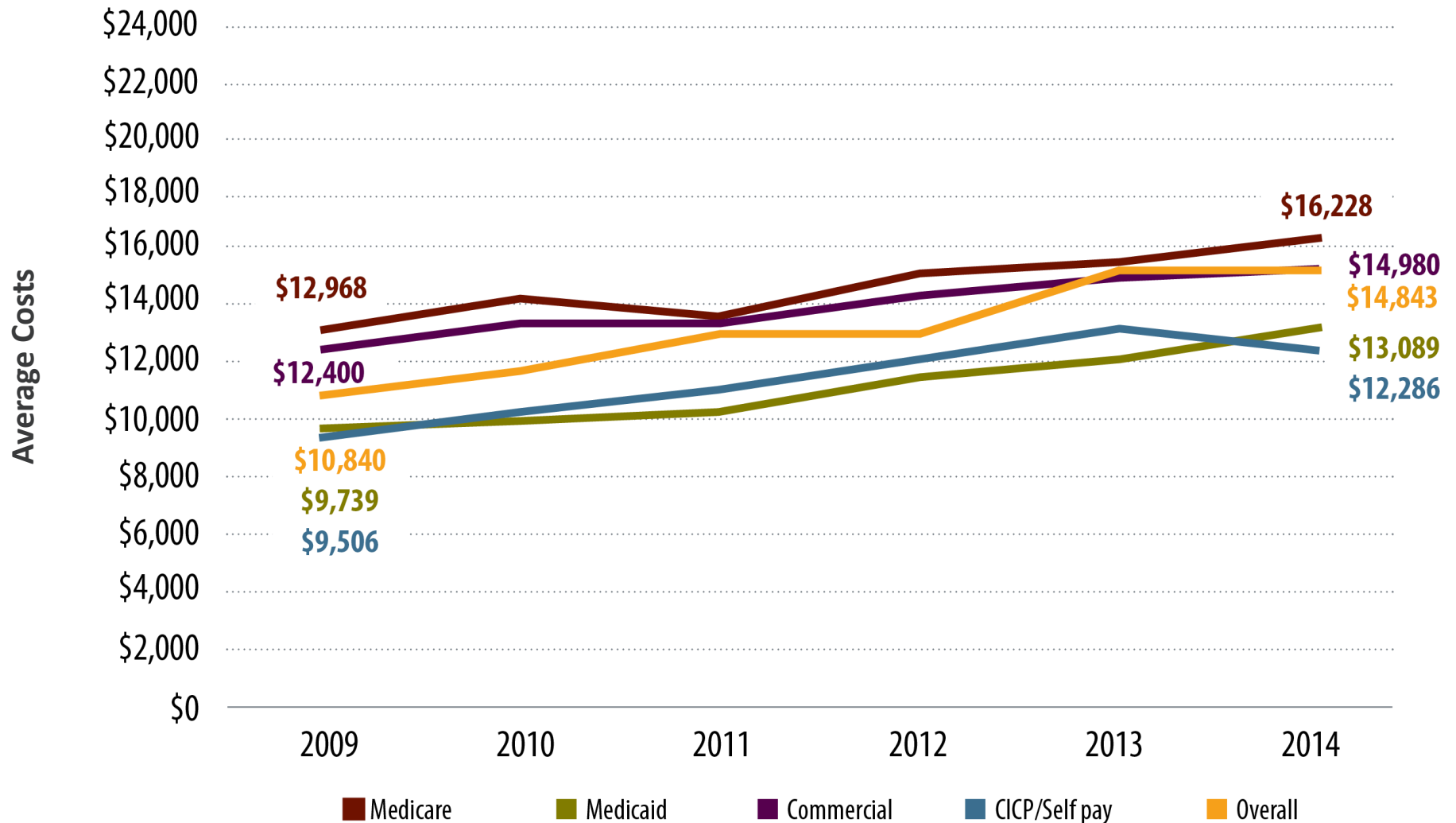
Payment to Cost Ratios: 2009 - 2014



How Has **Payment** Changed Over Time?



How Have Costs Changed Over Time?



PERCENT
CHANGE

25%

34%

21%

29%

37%

Question: What can drive cost increases?

- Patient complexity
- Care utilization
- Technology
- Administration
- Capital construction

Conclusions

- There is mixed evidence that a cost shift exists in hospital markets.
- The reduction in hospitals' uncompensated care in Colorado was \$380 million in 2014.
- Since passage of the Affordable Care Act, both payments and costs have gone up.